

CLINTON TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CLINTON	County LENAWEE
Fiscal Year End MARCH 31, 2006	Opinion Date MAY 18, 2006	Date Audit Report Submitted to State JUNE 7, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

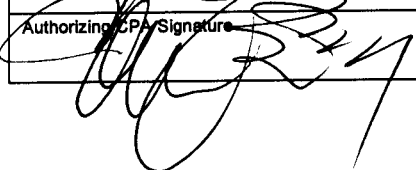
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R. RUBLEY CPA		Telephone Number 517-458-2274	
Street Address 133 W. MAIN STREET		City MORENCI	State MI
Zip 49256			
Authorizing CPA Signature 		Printed Name PHILIP R. RUBLEY	License Number 9223

**CLINTON TOWNSHIP, MICHIGAN
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2006**

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CLINTON TOWNSHIP, MICHIGAN
Management's Discussion and Analysis
March 31, 2006

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Township of Clinton, Michigan government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and fire each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

CLINTON TOWNSHIP, MICHIGAN
Management's Discussion and Analysis
March 31, 2006

The government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, and community development.

The government-wide financial statements includes not only the Township itself (known as the *primary government*), but a component unit which is the Library.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into one category; governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

The Township As A Whole

The Township's net assets for the year ended March 31, 2006 increased by 7.5% over the prior year.

The governmental activities reflect net assets of \$100,816 and the component unit-type (Library) of \$767,534.

By far the largest portion of the Township's net assets (48 percent) reflects its investment in capital assets (e.g. land, buildings, and equipment). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

CLINTON TOWNSHIP, MICHIGAN
Management's Discussion and Analysis
March 31, 2006

CLINTON TOWNSHIP, MICHIGAN NET ASSETS

	Governmental Activities
	<u>2006</u>
<u>Revenue</u>	
Program Revenue:	
Charges for Services	\$ 66,850
Operating Grants and Contributions	---
Capital Grants and Contributions	---
General Revenue:	
Property Taxes	277,352
Grants and Contributions Not Restricted To Specific Program	95,776
Other	<u>47,638</u>
Total Revenue	<u>487,616</u>
<u>Expenses</u>	
General Government	163,922
Public Safety	171,880
Public Works	15,077
Community and Economic Development	<u>3,594</u>
Total Expenses	<u>354,473</u>
Increase In Net Assets	<u>133,143</u>
Net Assets Beginning of Year	<u>540,824</u>
Net Assets End of Year	<u>\$673,967</u>

CLINTON TOWNSHIP, MICHIGAN
Management's Discussion and Analysis
March 31, 2006

CLINTON TOWNSHIP, MICHIGAN NET ASSETS

	<u>Governmental</u> <u>Activities</u>
	<u>2006</u>
Current and Other Assets	\$576,780
Capital Assets	<u>100,816</u>
Total Assets	<u>\$677,596</u>
Other Liabilities	<u>\$ 3,629</u>
Total Liabilities	<u>3,629</u>
<u>Net Assets</u>	
Invested in Capital Assets,	100,816
Designated & Restricted	220,441
Unrestricted	<u>352,710</u>
Total Net Assets	<u>\$673,967</u>

Government Activities

Government activities increased the Township's net assets by \$133,143.

The Township's Funds

Our analysis of the Township's funds begins on Page 8, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Board of Trustees and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

General Fund Budgetary Highlights

Differences between the original budget and amended budget were minor.

CLINTON TOWNSHIP, MICHIGAN
Management's Discussion and Analysis
March 31, 2006

Capital Assets And Debt Administration

The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$100,816 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, roads, highways, and bridges.

The Library-component unit investment in capital assets was \$767,534 (net of accumulated depreciation).

Economic Factors And Next Year's Budget And Rates

The Township's budget for 2006-2007 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 172 W. Michigan Ave., Clinton, Michigan 49236.

PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

May 18, 2006

Honorable Mayor and Board of Trustees
Clinton Township
Clinton, Michigan 49236

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Clinton Township, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clinton Township, Michigan, management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented components unit, each major fund, and the aggregate remaining fund information of the Clinton Township, Michigan, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

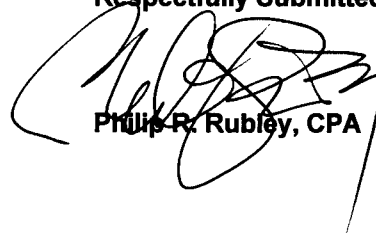
The management's discussion and analysis and budgetary comparison information on pages 1 through 5, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clinton Township, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Clinton Township
May 18, 2006

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Philip R. Rubley', is written over the printed name.

Philip R. Rubley, CPA

PRR/cab

CLINTON TOWNSHIP, MICHIGAN
Government-wide Statement of Net Assets
March 31, 2006

	Governmental Activities	Component Unit - Library	Totals (Memorandum Only) Reporting Entity
<u>Assets</u>			
Cash and Equivalents	\$545,266	\$ 357,075	\$ 902,341
Receivables - Net	24,760	8,003	32,763
Prepaid Items and Other Assets	6,754	1,786	8,540
Capital Assets Not Being Depreciated	30,000	---	30,000
Capital Assets Being Depreciated - Net	<u>70,816</u>	<u>767,534</u>	<u>838,350</u>
Total Assets	<u>\$677,596</u>	<u>\$1,134,398</u>	<u>\$1,811,994</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	<u>\$ 3,629</u>	<u>\$ 997</u>	<u>\$ 4,626</u>
Total Liabilities	<u>3,629</u>	<u>997</u>	<u>4,626</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt Restricted For Capital Projects	100,816	767,534	868,350
Designated - Development	---	166,520	166,520
Perpetual Care	34,244	---	34,244
Unrestricted	186,197	---	186,197
	<u>352,710</u>	<u>199,347</u>	<u>552,057</u>
Total Net Assets	<u>\$673,967</u>	<u>\$1,133,401</u>	<u>\$1,807,368</u>

CLINTON TOWNSHIP, MICHIGAN
Government-wide Statement of Activities
For The Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Primary Government</u>					
<u>Governmental Activities:</u>					
General Government	\$163,922	\$51,859	\$ ---	\$ ---	\$ (112,063)
Public Safety	171,880	10,475	---	---	(161,405)
Public Works	15,077	---	---	---	(15,077)
Community and Economic Development	<u>3,594</u>	<u>4,516</u>	<u>---</u>	<u>---</u>	<u>922</u>
Total Governmental Activities	<u>354,473</u>	<u>66,850</u>	<u>---</u>	<u>---</u>	<u>(287,623)</u>
Total Primary Government	<u>\$354,473</u>	<u>\$66,850</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (287,623)</u>
<u>Component Unit:</u>					
Library	<u>\$167,492</u>	<u>\$ 5,491</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (162,001)</u>
Total Component Unit	<u>\$167,492</u>	<u>\$ 5,491</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (162,001)</u>

CLINTON TOWNSHIP, MICHIGAN
Government-wide Statement Of Activities (Concluded)
For The Year Ended March 31, 2006

	<u>Primary Government</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit - Library</u>
<u>Changes In Net Assets</u>		
Net (Expense) Revenue	\$ (287,623)	\$ (162,001)
General Revenues:		
Property Taxes	277,352	119,369
Grants and Contributions		
Not Restricted To		
Specific Programs	95,776	23,897
Contributions	28,487	3,747
Unrestricted Investment		
Earnings and Rentals	16,045	8,360
Franchise & Metro, Etc.	<u>3,106</u>	<u>---</u>
Total General Revenues, Contributions and Transfers	<u>420,766</u>	<u>155,373</u>
 Change In Net Assets	 133,143	 (6,628)
 Net Assets, Beginning of Year	 <u>540,824</u>	 <u>1,140,029</u>
 Net Assets, End of Year	 <u>\$ 673,967</u>	 <u>\$1,133,401</u>

CLINTON TOWNSHIP, MICHIGAN
Governmental Funds
Balance Sheet
March 31, 2006

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash				
Equivalents	\$180,427	\$172,708	\$192,131	\$545,266
Prepaid Expenses	1,606	---	89	1,695
Receivables - Net	10,758	14,002	---	24,760
Due From Other Funds	5,059	---	1,257	6,316
Total Assets	<u>\$197,850</u>	<u>\$186,710</u>	<u>\$193,477</u>	<u>\$578,037</u>
<u>LIABILITIES</u>				
Accounts Payable/				
Accrued Liabilities	\$ 2,127	\$ ---	\$ 1,290	\$ 3,417
Due to Other Funds	212	---	1,257	1,469
Deferred Revenue	2,063	859	---	2,922
Total Liabilities	<u>4,402</u>	<u>859</u>	<u>2,547</u>	<u>7,808</u>
<u>FUND BALANCES</u>				
Reserved for				
Development	34,244	---	---	34,244
Perpetual Care	---	---	186,197	186,197
Unreserved	159,204	185,851	4,733	349,788
Total Fund Balances	<u>193,448</u>	<u>185,851</u>	<u>190,930</u>	<u>570,229</u>
Total Liabilities and Fund Balances	<u>\$197,850</u>	<u>\$186,710</u>	<u>\$193,477</u>	<u>\$578,037</u>

CLINTON TOWNSHIP, MICHIGAN
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
March 31, 2006

Fund Balances – Total Governmental Funds

\$570,229

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

Add: Capital Assets

160,311

Deduct: Accumulated Depreciation

(59,495)

Revenue that has been billed as a receivable, but not collected
until later years, was not reported in the funds.

Add: Deferred Revenue

2,922

Net Assets of Governmental Activities

\$673,967

CLINTON TOWNSHIP, MICHIGAN
Governmental Funds
Statement of Revenue, Expenditures, and Changes In Fund Balances
For The Year Ended March 31, 2006

	General Fund	Fire Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes and Assessments	\$ 91,685	\$185,282	\$ ---	\$276,967
Intergovernmental	95,776	---	---	95,776
Licenses and Permits	14,991	---	---	14,991
Charges for Services	29,972	---	11,600	41,572
Interest and Rentals	6,627	1,533	7,885	16,045
Other	31,836	---	10,044	41,880
Total Revenue	<u>270,887</u>	<u>186,815</u>	<u>29,529</u>	<u>487,231</u>
<u>EXPENDITURES</u>				
Current:				
General Government	116,167	---	41,127	157,294
Public Safety	19,423	152,457	---	171,880
Public Works	15,077	---	---	15,077
Community Economic Development	3,594	---	---	3,594
Capital Outlay	2,475	---	---	2,475
Total Expenditures	<u>156,736</u>	<u>152,457</u>	<u>41,127</u>	<u>350,320</u>
Excess of Revenue Over (Under) Expenditures	114,151	34,358	(11,598)	136,911
Other Financing Sources (Uses)				
Transfers In	---	---	22,935	22,935
Transfers Out	(15,050)	---	(7,885)	(22,935)
Total Other Financing Sources (Uses)	<u>(15,050)</u>	<u>---</u>	<u>15,050</u>	<u>---</u>
Net Change In Fund Balances	99,101	34,358	3,452	136,911
Fund Balances – Beginning of Year	<u>94,347</u>	<u>151,493</u>	<u>187,478</u>	<u>433,318</u>
Fund Balances – End of Year	<u>\$193,448</u>	<u>\$185,851</u>	<u>\$190,930</u>	<u>\$570,229</u>

The notes to financial statements are an integral part of this statement.

CLINTON TOWNSHIP, MICHIGAN
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
March 31, 2006

Net Change In Fund Balances – Total Governmental Funds

\$136,911

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Add: Capital Outlay

2,475

Deduct: Depreciation Expense

(6,628)

Revenue deferred on the governmental funds report, which has
been charged to receivable and thus income on the statement
of activities

385

Change In Net Assets Of Governmental Activities

\$133,143

CLINTON TOWNSHIP, MICHIGAN
Fiduciary Funds – Statement of Net Assets
March 31, 2006

	Tax Collection <u>Fund</u>	Other Agency <u>Funds</u>
<u>Assets</u>		
Cash and Cash Equivalents	<u>\$51,134</u>	<u>\$ 251</u>
Total Assets	<u><u>\$51,134</u></u>	<u><u>\$ 251</u></u>
<u>Liabilities</u>		
Due to Other Funds	\$ 4,808	\$ 251
Other Payables	<u>46,326</u>	<u>---</u>
Total Liabilities	<u><u>\$51,134</u></u>	<u><u>\$ 251</u></u>

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clinton Township, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Clinton Township, Michigan is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units - The Clinton Library of Clinton, Michigan is governed by a board consisting of members appointed (subject to Board approval). The Library was formed to promote educational and historical information for residents, etc.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is a special Revenue Fund that receives monies from property taxes for the purpose of supporting fire and ambulance services for Clinton Township residents.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for any business-type activities and enterprise funds. Presently Clinton Township has no business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of March of each year, the Board of Trustees presents the proposed budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	Category <u>1</u>	<u>2</u>	<u>3</u>	Carrying Value	Market Value
Checking and Saving Acct.	\$100,000	\$492,241	\$ ---	\$592,241	\$592,241
Certificate of Deposits	<u>100,000</u>	<u>210,100</u>	<u>---</u>	<u>310,100</u>	<u>310,100</u>
	<u>\$200,000</u>	<u>\$702,341</u>	<u>\$ ---</u>	<u>\$902,341</u>	<u>\$902,341</u>

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

<u>Deposits</u>	Carrying Amount
Insured (FDIC) (FSLIC)	\$200,000
Uninsured:	
Uncollateralized	<u>702,341</u>
Total	<u>\$902,341</u>

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Other	\$ 30,000	\$ ---	\$ ---	\$ 30,000
	<u>30,000</u>	<u>---</u>	<u>---</u>	<u>30,000</u>
Capital Assets, Being Depreciated:				
Buildings	97,064	2,475	---	99,539
Equipment	<u>30,772</u>	<u>---</u>	<u>---</u>	<u>30,772</u>
Total Capital Assets Being Depreciated	<u>127,836</u>	<u>2,475</u>	<u>---</u>	<u>130,311</u>
Less Accumulated Depreciation For:				
Buildings	(31,648)	(4,026)	---	(35,674)
Equipment	<u>(21,219)</u>	<u>(2,602)</u>	<u>---</u>	<u>(23,821)</u>
Total Accumulated Depreciation	<u>(52,867)</u>	<u>(6,628)</u>	<u>---</u>	<u>(59,495)</u>
Total Capital Assets, Being Depreciated, Net	<u>74,969</u>	<u>(4,153)</u>	<u>---</u>	<u>70,816</u>
Governmental Activities Capital Assets, Net	<u>\$ 104,969</u>	<u>\$ (4,153)</u>	<u>\$ ---</u>	<u>\$ 100,816</u>
 <u>Component Unit - Library</u>				
Capital Assets, Not Being Depreciated:				
Buildings	\$1,117,500	\$ 3,420	\$ ---	\$1,120,920
Equipment, Books, Videos	<u>295,900</u>	<u>---</u>	<u>---</u>	<u>295,900</u>
Total Capital Assets Being Depreciated	<u>1,413,400</u>	<u>3,420</u>	<u>---</u>	<u>1,416,820</u>
Less Accumulated Depreciation For:				
Buildings	(335,250)	(22,436)	---	(357,686)
Equipment	<u>(289,650)</u>	<u>(1,950)</u>	<u>---</u>	<u>(291,600)</u>
Total Accumulated Depreciation	<u>(624,900)</u>	<u>(24,386)</u>	<u>---</u>	<u>(649,286)</u>
Total Capital Assets, Being Depreciated, Net	<u>788,500</u>	<u>(20,966)</u>	<u>---</u>	<u>767,534</u>
Component Unit-Library Capital Assets, Net	<u>\$ 788,500</u>	<u>\$ (20,966)</u>	<u>\$ ---</u>	<u>\$ 767,534</u>

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental Activities:

General Government	<u>\$ 6,628</u>
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Total Depreciation Expense Governmental Activities	<u>\$ 6,628</u>
---	-----------------

Component Unit-Library:

Library	<u>\$24,386</u>
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Total Depreciation Expense Component Unit-Library Activities	<u>\$24,386</u>
---	-----------------

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2006, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Library	\$ 212	\$ 212
General	5,059	---
Cemetery	1,257	---
Other Agency Funds	---	5,059
Cemetery Perpetual Care	---	1,257
	<u>\$6,528</u>	<u>\$6,528</u>

NOTE 6 – TRANSFERS

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted, to or allowed for debt services from the funds collecting the receipts to the debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs, accounted for in other funds in accordance with budgetary authorizations.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ ---	\$15,050
Cemetery	22,935	---
Cemetery Perpetual Care	---	7,885
	<u>\$22,935</u>	<u>\$22,935</u>

CLINTON TOWNSHIP, MICHIGAN
Notes to Financial Statements
March 31, 2006

NOTE 7 – PROPERTY TAXES:

The Township bills and collects its own property taxes and also taxes for the County and School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

Property taxes are assessed December 31st and are levied on June 1st. Taxes become delinquent on August 31st with a interest charge beginning October 1st. All delinquent taxes are charged with a penalty.

NOTE 8 – PENSION PLAN

The Township has no pension plan at March 31, 2006.

NOTE 9 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

CLINTON TOWNSHIP, MICHIGAN
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ 20,000	\$ 20,000	\$ 94,347	\$ 74,347
Taxes and Assessments	66,000	66,000	91,685	25,685
Intergovernmental	95,000	95,000	95,776	776
Licenses and Permits	17,000	17,000	14,991	(2,009)
Charges for Services	30,070	30,070	29,972	(98)
Interest and Rentals	1,000	1,000	6,627	5,627
Other	<u>23,000</u>	<u>23,000</u>	<u>31,836</u>	<u>8,836</u>
Amounts Available for Appropriation	<u>252,070</u>	<u>252,070</u>	<u>365,234</u>	<u>113,164</u>
<u>Charges to Appropriations (Outflows)</u>				
General Government				
Legislative Board	16,449	16,449	14,749	1,700
Supervisor	10,537	10,537	9,881	656
Board of Review	2,365	2,365	2,089	276
Treasurer	25,663	25,663	24,187	1,476
Assessor	22,621	22,621	22,524	97
Clerk	22,368	22,368	21,992	376
Elections	3,136	3,136	1,871	1,265
Legal and Professional	12,150	12,150	11,706	444
Buildings and Grounds	5,900	5,900	3,005	2,895
Insurance	5,300	5,300	4,163	1,137
Public Safety				
Inspections	21,280	21,280	19,423	1,857
Community Economic Development	6,544	6,544	3,594	2,950
Public Works				
Street Maintenance, Drains & Lighting	40,850	40,850	15,077	25,773
Capital Outlay	5,000	5,000	2,475	2,525
Other Functions	36,557	36,557	---	36,557
Transfers to Other Funds	<u>15,350</u>	<u>15,350</u>	<u>15,050</u>	<u>300</u>
Total Charges to Appropriations	<u>252,070</u>	<u>252,070</u>	<u>171,786</u>	<u>80,284</u>
Ending of Year Fund Balance	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$193,448</u>	<u>\$193,448</u>

CLINTON TOWNSHIP, MICHIGAN
Budgetary Comparison Schedule
Fire Fund (Major Special Revenue Funds)
For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>	\$ ---	\$ ---	\$151,493	\$151,493
<u>Resources (Inflows)</u>				
Taxes	199,400	199,400	185,282	(14,118)
Interest Income	1,500	1,500	1,533	33
Transfer In	<u>7,700</u>	<u>7,700</u>	<u>---</u>	<u>(7,700)</u>
 Amounts Available for Appropriation	<u>208,600</u>	<u>208,600</u>	<u>338,308</u>	<u>129,708</u>
<u>Charges to Appropriations (Outflows)</u>				
<u>Public Safety</u>				
Fire	<u>165,000</u>	<u>165,000</u>	<u>152,457</u>	<u>12,543</u>
 Total Charges to Appropriations	<u>165,000</u>	<u>165,000</u>	<u>152,457</u>	<u>12,543</u>
Ending of Year Fund Balance	<u>\$ 43,600</u>	<u>\$ 43,600</u>	<u>\$185,851</u>	<u>\$142,251</u>

CLINTON TOWNSHIP, MICHIGAN
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2006

	<u>Special Revenue Funds</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Cemetery</u>	<u>Cemetery Perpetual Care</u>	
<u>Assets</u>			
Cash	\$4,677	\$187,454	\$192,131
Due from Other Funds	1,257	---	1,257
Prepaid Expenses	89	---	89
Total Assets	<u>\$6,023</u>	<u>\$187,454</u>	<u>\$193,477</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts Payable	\$1,290	\$ ---	\$ 1,290
Due to Other Funds	---	1,257	1,257
Total Liabilities	<u>1,290</u>	<u>1,257</u>	<u>2,547</u>
<u>Fund Balance</u>	<u>4,733</u>	<u>186,197</u>	<u>190,930</u>
Total Liabilities And Fund Balances	<u>\$6,023</u>	<u>\$187,454</u>	<u>\$193,477</u>

CLINTON TOWNSHIP, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Non-Major Governmental Funds
For The Year Ended March 31, 2006

	<u>Special Revenue Funds</u>	<u>Permanent Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Cemetery</u>	<u>Cemetery Perpetual Care</u>	
<u>Revenues:</u>			
Charges for Services	\$ 9,300	\$ 2,300	\$ 11,600
Interest and Rents	---	7,885	7,885
Other Revenue	<u>10,044</u>	<u>---</u>	<u>10,044</u>
Total Revenue	<u>19,344</u>	<u>10,185</u>	<u>29,529</u>
<u>Expenditures:</u>			
General Government	<u>41,127</u>	<u>---</u>	<u>41,127</u>
Total Expenditures	<u>41,127</u>	<u>---</u>	<u>41,127</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(21,783)</u>	<u>10,185</u>	<u>(11,598)</u>
<u>Other Financing Sources</u>			
<u>(Uses):</u>			
Operating Transfers In	22,935	---	22,935
Operating Transfers (Out)	<u>---</u>	<u>(7,885)</u>	<u>(7,885)</u>
Total Other Financing Sources (Uses)	<u>22,935</u>	<u>(7,885)</u>	<u>15,050</u>
<u>Excess of Revenues and Other Sources Over (Under) (Expenditures and Other Uses)</u>	<u>1,152</u>	<u>2,300</u>	<u>3,452</u>
<u>Beginning Fund Balance</u>	<u>3,581</u>	<u>183,897</u>	<u>187,478</u>
<u>Ending Fund Balance</u>	<u>\$ 4,733</u>	<u>\$186,197</u>	<u>\$190,930</u>

PHILIP R. RUBLEY

- Certified Public Accountant -

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

May 18, 2006

Honorable Mayor Board of Trustees
Clinton Township
Clinton, Michigan 49236

We have examined the combined financial statements of the Clinton Township, Michigan and the combining, individual fund and account group financial statements of the Township as of and for the year ended March 31, 2006 and have issued our report thereon dated May 18, 2006. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended March 31, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

1. Software

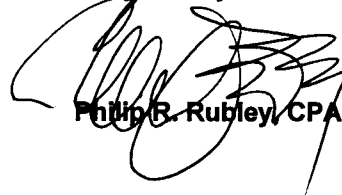
Presently there appears to be a software problem in carrying forward your fund equities after adjustments to the previous year. Contact your software provider to correct this.

Clinton Township
May 18, 2006

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated May 18, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Philip R. Rubley', is written over the printed name.

Philip R. Rubley, CPA

PRR/cab